No change in Jerusalem, yet.

Mick Dumper.

Something is moving in the Middle East but it is not yet happening in Jerusalem. A new chess game has started in the region: The US ambassador is being returned to Damascus, the HAMAS leader, Khalid Meshal, made a speech welcoming the new tone set by Obama in his speech in Cairo, there are leaks of an imminent deal between the Israelis, Egyptians and HAMAS over a prisoner exchange and pressure is being brought to bear on the FATAH and HAMAS factions of the Palestinians to come to reconcile so that credible negotiations can start that would lead to a Palestinian state.

These opening moves in a region which has seen one nadir replaced by yet another worse-case scenario have prompted a tentative dusting down of the various proposals for a peace agreement and a resurrection of some of the informal Palestinian-Israeli dialogues. Those participants previously weary of the constant discussions that produced no concrete results due to the lack of political leadership are beginning to review the material once again. They are not quite daring to hope that a credible peace process may soon be underway, having gotten so used to US Presidents blinking first in any stand-off with the Israeli government. Nevertheless, expectation of a concerted and credible policy initiative by the US have never been higher among advisors and commentators. A lobbyist who recently returned from Washington remarked "there's a complete change in focus and more importantly there is not a chink of light between Obama, Clinton, Mitchell and the other US agencies involved with the Middle East".

Yet these hopeful signs are not reflected on the ground in the city of Jerusalem. Rather some talk of a growing crisis. "An explosion may be imminent", a Municipal council member told me. It is easy to see what he meant. The rupture to employment, family life, community cohesion and access to services and cultural amenities caused by the huge separation Wall running through the eastern edge of Jerusalem has been enormous. Demolitions of Palestinian houses in East Jerusalem continue to sow bitterness and anger, the voiding of East Jerusalem ID cards which deprive people of residency in the city, access to services and National Insurance benefits have all increased, and the systematic eroding of Palestinian territory through zoning plans and the land acquisitions of the Israeli settlers all compound to produce a highly volatile situation.

Most observers of developments in the city agree that the transformation of settlers from outriders of the radical right in Israel to mainstream politicians has been one of the most significant events in the city over the past decade. Their funding by state institutions, their penetration of agencies such as the Israeli Antiquities Authority (with responsibility over excavations and renovations) and of the National Park Authorities have provided them with a platform to act with impunity and renewed ambition. At the same time a new nationalist Israeli Mayor of Jerusalem has begun to assert his views which offer little to the Palestinians in terms of a shared and inclusive vision of the city's future and are concerned more with diluting the presence of Palestinians in the city and reserving their contribution to a walk-on part in its Disney-fication.

To add to this sense of deterioration on the ground, is the leadership vacuum in the Palestinian community in East Jerusalem. The Israeli have successfully pursued a policy of excluding the Palestinian Authority, of restricting the cultural and service-delivery activities run by Palestinians, of decapitating the HAMAS movement through incarceration and close surveillance of its members and reviving the "elder" (or *mukhtar*) system and nominating those perceived as "collaborators" to handle affairs in Palestinian neighbourhoods. Furthermore, the traditional elite associated with the Islamic court and endowment system based on the Haram ash-sharif is paralysed through the tight monitoring of employees through its Jordanian paymasters. The result is a fragmented and incoherent response to the inroads been made into the Palestinian parts of the city by Israel.

Into this vacuum has entered the charismatic Shaykh Ra'ed Salah, one of the leaders of the Palestinian Islamicists in Israel. Rallying the resistance to house demolitions and to the perceived defilement of Islamic cultural monuments, Shaykh Salah has demonstrated his ability to mobilise the Palestinian street. His campaign to defend the Haram ash-Sharif from settler encroachments with the slogan "Al-Aqsa is in danger" and the organised bussing in of protestors everyday of the week has resonated internationally. To the consternation of the Palestinian Authority and the East Jerusalem elite he has been nicknamed "the Shaykh of Al-Aqsa" and the "the Mayor of Jerusalem". Whether this presence can be successfully transmuted into impact on Israeli policy is yet to be seen, but there is no doubt that foundations of a platform are being laid.

So why is there this dissonance between the mood music outside and the grim polarities in Jerusalem? One simple reason is time-lag. The positive knock-on effects of Obama's Cairo speech and the appointment of George Mitchell as Middle East peace envoy have not had time to percolate down to the municipality and the street. Another more profound reason, however, is that the stakes are so much higher in Jerusalem. If negotiations are to be kick-started in the near future, neither side wishes to make a bold move which may jeopardise their position.

Nevertheless, it is possible to discern a number of possible patterns emerging in response to the regional chess game. One way of interpreting Israeli actions in the city is to see them as the kind of moves a combatant makes immediately prior to a ceasefire. Favourable positions are sought quickly in case they become the new status quo. Another Israeli pattern is what could be the strategic decision to consolidate its hold over the Israeli Jewish parts in the east of the city – the settlements and the central areas of what has been called the Holy Basin containing the Old City and most of the holy sites. The focussing of investment into these areas and the neglect of others can easily be seen by a visit to the eastern periphery. Technically inside the municipal boundaries of the city, areas such as Kufr Aqab and Shu'afat refugee camp have been placed on the West Bank side of the separation Wall and have all but been abandoned by the municipality. Apart from a few cosmetic services, they have been left to their increasingly dire straits with high unemployment, congested housing and physical isolation from the city. In addition an environmental disaster is taking place on Jerusalem's doorstep with these areas having woefully inadequate means to deal with waste and sewage.

On the Palestinian side, one pattern that can be discerned is a “wait and see” approach. There is little desire to expend resources or political capital on new initiatives until it is clear that Obama does not blink first over the settlement freeze issue. Having prematurely revealed that they are prepared to accept Israeli sovereignty over the Western Wall and Jewish Quarter in the Old City (borders yet to be decided), the Palestinians are unwilling to engage in anything less than final status discussions. They are through with interim phases. Alongside this greater clarity one can also feel a hardening of their position on the city. While an Israeli recognition of Palestinian sovereignty east of the 1949 Armistice Line will open the doors to the consideration of all kinds of special regimes and special arrangements for the holy sites and the Old City, it is also clear that the Palestinians will refuse to go down in history as those Muslims and those Arabs who sold out on Jerusalem. On Jerusalem, the conclusion is: no deal is better than a bad deal.

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